



STATE BOARD OF EQUALIZATION

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(P.O. BOX 1799, SACRAMENTO, CALIFORNIA 95808)
(916) 445-4982

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No. 79/19

January 22, 1979

. TO COUNTY ASSESSORS:

BUSINESS INVENTORY EXEMPTION--
GENERAL AIRCRAFT--CORRECTION

Our county assessors' letter number 78/129 issued on July 28, 1978, informed you that effective with the 1978 lien date general aircraft held for sale or lease by a manufacturer or dealer was eligible for the business inventory exemption. We noted that such aircraft had previously been excluded from receiving the exemption because they were taxed at a rate different than real property. Thus, with the effect Proposition 13 had upon tax rates, we concluded that general aircraft held as inventory should receive the exemption.

Members of the Board's legal staff are now of the opinion that general aircraft held for sale or lease are not eligible for the business inventory exemption. They point out that Property Tax Rule 133(b)(2) excludes personal property from the inventory exemption if the assessment ratio or the tax rate is at a different proportion to value than that applied to real property. Prior to the passage of Proposition 13, both the assessment ratio and the tax rate were different for aircraft than for real property. Proposition 13 eliminated the tax rate difference but not the assessment ratio difference, since general aircraft are still assessed at 100 percent of market value.

Roll corrections under Section 4831 should be processed for all 1978 assessments of general aircraft where the inventory exemption was granted.

As you are aware, Section 5303 defines aircraft, subject to the 100-percent assessment ratio, as any contrivance designed or used for flight which has flown at least once. There may be a rare instance where an "aircraft" is in a manufacturer's or dealer's inventory held for sale or lease that had not flown at least once. Such "aircraft" would be subject to the same assessment ratio and tax rate as real property; therefore, they would be eligible for the inventory exemption.

We are sorry for any inconvenience we may have caused you. Questions should be directed to Bud Florence of this division.

Sincerely,

Verne Walton, Chief
Assessment Standards Division

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